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TO RUEHC/SECSTATE WASHDC IMMEDIATE 5289
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUEHCV/AMEMBASSY CARACAS PRIORITY 0558
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC PRIORITY 0607

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STATE FOR D, E, P, AND WHA
STATE FOR S/ES-O MMILLER AND MSANDELANDS
TREASURY FOR AFAIBISHENKO
STATE PASS AID FOR LAC/CAM
NSC FOR DAN FISK
COMMERCE FOR MSELIGMAN AND WBASTIAN
STATE PASS USTR FOR AMALITO

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TAGS: [EPET](#) [ENRG](#) [PREL](#) [BBSR](#) [NI](#) [VE](#) [HO](#)

SUBJECT: HONDURAN FUEL IMPORTS: USG EFFORTS STAVE OFF
NATIONALIZATION, FOR NOW

REF: A) TEGU 463 AND PREVIOUS

Classified By: DCM James Williard for reasons 1.4 (b,d)

11. (C/NF) In a hemisphere disillusioned with market economics, the USG has successfully held the line in Honduras. Thanks to two face-to-face meetings between POTUS and Honduran President Jose Manuel "Mel" Zelaya Rosales and numerous public and private interventions by the Ambassador and his staff, the USG repeatedly disrupted Honduras' populist/socialist plan to nationalize all fuel imports. Over the last year, USG action stopped a PetroCaribe deal with Venezuela, forced the GOH to pause and reconsider its plan to nationalize the fuels import sector, and led President Zelaya to shift his rhetoric to support for open and competitive markets. The GOH's subsequent retreat from Zelaya's bold pro-market pronouncements of January 2007 show that the leftist/populist forces remain strong while Zelaya's own steadfastness falters. Nevertheless, impeding the adoption of this anti-market policy marks an important victory for the USG in the region.

12. (C/NF) Key to setting the stage for this victory were two meetings between POTUS and Zelaya on June 5 and September 18, 12006. On each of those occasions POTUS expressed his concerns to Zelaya about the risks of Honduran over-reliance on Venezuelan oil and the Honduran nationalization proposal, and advised that if it were his choice, he would not try such a scheme.

13. (C/NF) For over a year, Ambassador and EmbOffs publicly and privately stressed USG concerns and encouraged Honduran leaders to examine the nationalization plan much more carefully. Our focused and well-coordinated outreach effort inflicted an important defeat on Venezuela's President Hugo Chavez and those who would support an expansion of the Bolivarian Revolution into Central America. An October 5, 2006 opinion poll entitled "No to Chavez; Yes to Bush" reported that 60 percent of Hondurans did not believe PetroCaribe would save them money at the gas pump, and that 53 percent felt Honduras should not pursue closer ties to

Chavez if such a move would risk relations with the U.S

¶4. (C/NF) With strong behind-the-scenes encouragement from Post, in February 2007 the IOCs and the GOH negotiated proposals for reforms to the GOH pricing formula that would lower prices for consumers and put Honduras on the fast-track towards market reforms in 2008. Zelaya then issued a communique endorsing free markets, all but ending the nationalization plan. However, on March 2, leading ministers held another public meeting and released a new communique, ceding ground on the GOH's market liberalization position and leaving the door open for the nationalization scheme. We have not achieved market liberalization yet, but impeding the adoption of this anti-market policy was itself an important first step. Moreover, an ill-advised effort to reduce gas pump prices through a PetroCaribe finance program appears to be dead.

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